

10 September 2019



Touchstar plc

Interim results for the Six months ended 30 June 2019

The Board of Touchstar plc ((AIM:TST) 'Touchstar', the 'Company' or 'the Group'), suppliers of mobile data computing solutions and managed services to a variety of industrial sectors, is pleased to announce its interim results for the six months ended 30 June 2019.

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those obligations.

Key Financials:

	30 June 2019	30 June 2018	
• Revenues	£3,635,000	£3,244,000	Increase of 16%
• Trading loss *	£(215,000)	£(590,000)	Reduced by 63%
• Trading loss after tax *	£(45,000)	£(413,000)	Significantly reduced by 89%
• EPS – Adjusted *	(0.63)p	(4.90)p	Improved by 89%
• Operating loss	£(518,000)	£(590,000)	Reduced by 12%
• Loss after tax	£(357,000)	£(415,000)	Reduced by 14%
• EPS – Basic loss	(4.21)p	(4.90)p	Improved by 14%

* Refer to note 3 for definition

Commenting on the results, Ian Martin, Chairman of Touchstar, said:

"The levels of engagement and customer interest in our new generation of products continues to develop favorably. It is thus pleasing to report that the confident words of the past have turned into positive fact.

In the six months ending 30 June 2019, the Group's revenue rose 15.6% to £3.6m, margins improved over 7.6% and the after-tax trading loss reduced by 89% to just £45,000."

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Information on Touchstar plc can be seen at: www.touchstarplc.com

CHAIRMAN'S INTERIM STATEMENT 2019

The last twelve months have been a critical period for Touchstar as we have been putting in place the foundations to create a modern business. The next year is arguably more important, it is now time to deliver, not promise, to reward shareholders for the faith they have invested in us.

It is thus pleasing to report significant progress.

In the six months ended 30 June 2019, the Group's revenue rose 15.6% (*excluding adjustment for IFRS 15 in 2018*) to £3.6m, margins improved over 7.6% and the after-tax trading loss reduced by 89% to just £45,000.

Are we there yet? Nowhere close, we need to continue to drive the business forward and build upon the first half of this year, return the Company to profitability and then establish a reliable track record over many years. Only then can we say "that was a job well done".

Financial Results

The statutory reporting for the period does not tell the whole story. I would encourage shareholders to read on as potentially lost amidst the headline numbers are positive trends. In particular, the growth rate of the ongoing business was 18.6% in the first six months of this financial year; whilst the growth rate for the whole Group (including the mainly discontinued On Board division ("On-board")) was a very credible 15% (*excluding adjustment for IFRS 15 in 2018*).

We informed shareholders in the year end results of the corrective action we were taking at our On-board division, the objective of which was to stop the erosion to the Group's profitability and cash resources. This restructuring has been completed and On-board is now effectively a discontinued operation. An impairment charge was taken last year and the restructuring completed in this first half year, resulting in an exceptional charge of £303,000 (six months ended 30 June 2018: Nil). There is also an associated cash outflow, to cover predominately redundancy costs, this has negatively impacted the results for this reported period.

The Group results for the six months ended 30 June 2019 show a healthy top line revenue growth of 15.6% to £3.645m (six months ended 30 June 2018 £3.145m, *excluding adjustment for IFRS 15*). If one excludes On-board, the revenue growth from the continuing operations was an even more impressive 18.6%, rising to £3.368m (six months ended 30 June 2018: £2.839m *excluding adjustment for IFRS 15*). Sales growth is being driven by Touchstar's new products and services which are becoming more established.

Margins rose to 51.9% (six months ended 30 June 2018: 48.2%) reflecting the continuation of the move to a more software and solution orientated sale. The level of ongoing recurring licence and support revenues also rose to £1.2m representing a third of revenues for the six months.

Improved margins combined with the revenue growth resulted in the after-tax loss before exceptional costs being reduced by 87% to £54,000 (six months ended 30 June 2018: £415,000 *reported including adjustment for IFRS 15*). Adjusted loss per share was lower at 0.63p (six months ended 30 June 2018: loss of 4.90p per share).

As of 30 June 2019, the Group had Net Debt of £204,000 (six months ended 30 June 2018: net cash £180,000).

The Group's cashflow in the six months to 30 June 2019 was adversely impacted by two factors. The first was that substantial monies due from the HMRC for prior investment in the business were delayed, due to a processing backlog at HMRC. These monies, amounting to £456,000, were received in August. The second was the sizeable cash outflow arising from restructuring, which was over £170,000 (30 June 2018: nil). The benefits of the restructuring are now starting to flow.

Current Trading

We remain on track to meet expectations. The levels of engagement and customer interest in our new generation of products continues to develop favourably. It is imperative we maintain this energy going forward. The long-term fundamentals of organisations having a growing appetite to capture, consume, move and use mobile data remain in place.



Topical short-term issues such as Brexit will continue to cause delay to our client's investment plans, bringing an unevenness to trading on a month by month basis. This report gives evidence we are currently overcoming that headwind, the 15% revenue growth being testament to this.

Touchstar's progress is only happening because the whole organisation is working hard, focusing on the things we can control, actively getting in front of customers, delivering great service and looking after every pound. I really appreciate this commitment; I am really proud of the people I work alongside.

CONCLUSION

We have made good progress in the year to date, this needs to be sustained not only over the next few months but the next few years. This will not be easy but pleasingly we are now starting to see the rewards of the considerable effort being applied.

I Martin
Executive Chairman
10 September 2019

**Unaudited consolidated income statement
for the six months ended 30 June 2019**

	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	£'000	£'000	£'000
Revenue	3,635	3,244	6,898
Operating loss before exceptional items	(215)	(590)	(982)
Exceptional costs	(303)	-	(334)
Operating loss	(518)	(590)	(1,316)
Finance costs	(9)	(2)	(4)
Loss before income tax	(527)	(592)	(1,320)
Income tax credit	170	177	404
Loss for the period attributable to the owners of the parent	(357)	(415)	(916)

Loss per ordinary share (pence) attributable to owners of the parent during the period:

	Pence per share	Pence per share	Pence per share
Loss per share – Basic	(4.21)p	(4.90)p	(10.94)p
Loss per share – Adjusted (note 6)	(0.63)p	(4.90)p	(6.95)p

Unaudited consolidated statement of changes in equity for the six months ended 30 June 2019

	Share capital £'000	Share premium account £'000	Retained earnings/ (accumulated losses) £'000	Total equity £'000
For the six months ended 30 June 2019				
Balance at 31 December 2018	424	1,119	849	2,392
Loss for the period	-	-	(357)	(357)
Balance at 30 June 2019	424	1,119	492	2,035
For the six months ended 30 June 2018				
Balance at 1 January 2018	315	-	1,856	2,171
Revenue recognised under IAS 18 adjusted for IFRS 15	-	-	(91)	(91)
Revised balance 1 January 2018	315	-	1,765	2,080
Share issue	109	1,191	-	1,300
Cost of share issue	-	(72)	-	(72)
Loss for the period	-	-	(415)	(415)
Balance at 30 June 2018	424	1,119	1,350	2,893
For the year ended 31 December 2018				
Balance at 1 January 2018	315	-	1,856	2,171
Revenue recognised under IAS 18 adjusted for IFRS 15	-	-	(91)	(91)
Revised balance 1 January 2018	315	-	1,765	2,080
Share issue	109	1,191	-	1,300
Cost of share issue	-	(72)	-	(72)
Loss for the year	-	-	(916)	(916)
Balance at 31 December 2018	424	1,119	849	2,392

Unaudited consolidated statement of financial position at 30 June 2019

	30 June 2019	30 June 2018	31 December 2018
	£'000	£'000	£'000
Non-current assets			
Intangible assets	1,429	1,305	1,352
Property, plant and equipment	199	210	228
Right of use asset	643	-	-
Deferred tax assets	157	168	157
	2,428	1,683	1,737
Current assets			
Inventories	1,161	1,414	1,210
Trade and other receivables	1,895	1,708	1,928
Current tax recoverable	656	449	487
Cash and cash equivalents	1,839	1,788	2,112
	5,551	5,359	5,737
Total assets	7,979	7,042	7,474
Current liabilities			
Trade and other payables	1,743	1,257	1,444
Lease liabilities	160	-	-
Contract liabilities	1,071	957	1,365
Borrowings	2,043	1,608	1,816
	5,017	3,822	4,625
Non-current liabilities			
Deferred tax liabilities	269	179	269
Lease liabilities	519	-	-
Contract liabilities	139	148	188
Total liabilities	5,944	4,149	5,082

**Unaudited consolidated statement of financial position
at 30 June 2019 (continued)**

	30 June 2019	30 June 2018	31 December 2018
	£'000	£'000	£'000
Capital and reserves attributable to owners of the parent			
Share capital	424	424	424
Share premium account	1,119	1,119	1,119
Profit and loss account	492	1,350	849
Total equity	2,035	2,893	2,392
Total equity and liabilities	7,979	7,042	7,474

**Unaudited consolidated cash flow statement
for the six months ended 30 June 2019**

	30 June 2019	30 June 2018	31 December 2018
	£'000	£'000	£'000
Cash flows from operating activities			
Operating loss	(518)	(590)	(1,316)
Depreciation	118	42	70
Amortisation	242	211	379
Development impairment	-	-	334
Right-of-use asset impairment	61	-	-
Movement in:			
Inventories	51	(27)	177
Trade and other receivables	-	548	328
Trade and other payables	(29)	(499)	136
Cash generated (used in)/from operating activities	(75)	(315)	108
Interest paid	(9)	(2)	(4)
Corporation tax received	-	-	290
Net cash generated (used in)/from operating activities	(84)	(317)	394
Cash flows from investing activities			
Purchase of intangible assets	(319)	(380)	(929)
Purchase of property, plant and equipment	(14)	(15)	(61)
Net cash used in investing activities	(333)	(395)	(990)
Cash flows from financing activities			
Lease liability payments	(83)	-	-
Share issue	-	1,300	1,300
Cost of share issue	-	(72)	(72)
Net cash used in financing activities	(83)	1,228	1,228
Net increase/ (decrease) in cash and cash equivalents	(500)	516	632
Cash and cash equivalents at start of the year	296	(336)	(336)
Cash and cash equivalents at end of the year	(204)	180	296
Cash and cash equivalents			
Cash at bank and in hand	1,839	1,788	2,112
Less: bank overdraft (included within borrowings)	(2,043)	(1,608)	(1,816)
Net debt/cash	(204)	180	296



Notes to the interim report and accounts for the six months ended 30 June 2019

1. General information

Touchstar plc is a public company limited by share capital incorporated and domiciled in the United Kingdom. The Company has its listing on AIM. The address of its registered office is 1 George Square, Glasgow, G2 1AL.

2. Status of interim report and accounts

The financial information comprises the consolidated interim balance sheet as at 30 June 2019, 30 June 2018 and the year ended 31 December 2018 along with related consolidated interim statements of income and cash flows for the six months to 30 June 2019 and 30 June 2018 and year ended 31 December 2018 of Touchstar plc (hereinafter referred to as 'financial information').

This financial information for the half year ended 30 June 2019 has neither been audited nor reviewed and does not comprise statutory accounts within the meaning of the section 434 of the Companies Act 2006. This financial information was approved by the Board on 9 September 2019.

The figures for the year ended 31 December 2018 have been extracted from the audited annual report and accounts that have been delivered to the Registrar of Companies. The auditors, PricewaterhouseCoopers LLP, reported on those accounts under section 495 of the Companies Act 2006. Their report was unqualified and did not contain a statement under section 498 of that Act.

3. Basis of preparation

The interim report and accounts have been prepared, in accordance with IAS34 Interim Financial Reporting, using accounting policies to be applied in the annual report and accounts for the year ended 31 December 2019. These are consistent with those included in the previously published annual report and accounts for the year ended 31 December 2018, which have been prepared in accordance with IFRS as adopted by the European Union except for operating lease accounting policy where *IFRS 16 Leases* has been applied from 1 January 2019.

New accounting standard

Previously operating lease costs for both properties and vehicles were recognised on a monthly basis within operating expenses in accordance with IAS 17. Under IFRS 16 these leases will be brought onto the Group's balance sheet from the date of adoption. The Group has elected to apply the modified retrospective approach with the cumulative effect of initially applying the standard as an adjustment to the opening balance of the retained earnings as at 1 January 2019.

The cumulative effect of the changes made to our consolidated 1 January 2019 balance sheet for the adoption of *IFRS 16 Leases* were as follows:

	Balance at 31 December 2018	Adjustments due to IFRS 16	Balance at 1 January 2019
	£'000	£'000	£'000
Consolidated balance sheet			
Non- current assets			
Right of use asset	-	734	734
Current assets			
Trade and other receivables	1,929	(33)	1896
Current liabilities			
Trade and other payables	2,998	(17)	(2,982)
Lease liabilities	-	(163)	(163)
Non-current liabilities			
Lease liabilities	-	(555)	(555)

There was no impact on the closing figures for the balance sheet at 30 June 2019.

Non – GAAP financial measures

For the purposes of this interim announcement and annual report and accounts, the Group uses alternative non-Generally Accepted Accounting Practice ('non-GAAP') financial measures which are not defined within IFRS. The Directors use the measures in order to assess the underlying operational performance of the Group and as such, these measures are important and should be considered alongside the IFRS measures.

The following non-GAAP measure referred to in the interim announcement relates to Trading profit.

'Trading loss' is separately disclosed, being defined as operating profit/(loss) adjusted to exclude restructuring costs along with other non-recurring costs such as onerous leases and associated costs on the early vacation of a property relating to Onboard retail. These exceptional costs related to items which the management believe did not accurately reflect the underlying trading performance of the business in the period. The Directors believe that the trading profit/(loss) is an important measure of the underlying performance of the Group.

Going Concern

The directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future, and for this reason they have adopted the going concern basis of preparation in the consolidated interim financial statements. The financial statements may be obtained from Touchstar plc, 7 Commerce Way, Trafford Park, Manchester, M17 1HW or online at www.touchstarplc.com.

4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a



significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Development expenditure

The Group recognises costs incurred on development projects as an intangible asset which satisfies the requirements of IAS 38. The calculation of the costs incurred includes the percentage of time spent by certain employees on the development project. The decision whether to capitalise and how to determine the period of economic benefit of a development project requires an assessment of the commercial viability of the project and the prospect of selling the project to new or existing customers.

5. Income tax credit

	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	£'000	£'000	£'000
Corporation Tax			
Current tax	(170)	(140)	(468)
Adjustments in respect of prior years	-	(37)	(37)
Deferred tax	-	-	101
Total current tax	(170)	(177)	(404)

6. Earnings per share

Earnings per ordinary share (pence) attributable to owners of the parent during the period:

Loss per share	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	Basic	(4.21)p	(4.90)p
Adjusted	(0.63)p	(4.90)p	(6.95)p

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The calculation of adjusted earnings per share excludes exceptional costs of £303,000 (31 December 2018 £334,000) (note 7).

Reconciliations of the earnings and weighted average number of shares used in the calculation are set out below:

For six-month period	30 June 2019		30 June 2018	
	Loss £'000	Weighted average number of shares (in thousands)	Loss £'000	Weighted average number of shares (in thousands)
Basic EPS				
Shares in issue 1 January		8,475		6,309
Share issue		-		2,166
Loss attributable to owners of the parent	(518)	8,475	(415)	8,475
Exceptional costs (note 7)	303		-	
Adjusted EPS				
Loss attributable to owners of the parent before exceptional items	(215)	8,475	(415)	8,475

For year ended

31 December 2018

	Loss £'000	Weighted average number of shares (in thousands)
Basic EPS		
Shares in issue 1 January		6,309
Share issue		2,166
Loss attributable to owners of the parent	(916)	8,475
Exceptional costs (note 7)	334	
Adjusted EPS		
Loss attributable to owners of the parent before exceptional items	(582)	8,475

7. Exceptional costs

	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Restructuring expenses:			
Redundancy costs	166	-	-
Onerous lease associated future costs	76	-	-
Onerous lease impairment	61	-	-
Development expenditure impairment	-	-	334
	303	-	334

The exceptional costs incurred early 2019 relate to management's decision to significantly reduce running costs for the Onboard product with support for the existing clients moved to the main offices in Manchester. The Kenilworth office where Onboard was situated has now been closed.

The development expenditure impairment for 31 December 2018 relates to the write off of the carrying value for NOVOSTar development; the Onboard Retail product.